U.S. Department of Justice

United States Attorney
Northern District of Illinois

Patrick J. Fitzgerald
United States Attorney

Federal Building
219 South Dearborn Street, 5th Floor
Chicago, Illinois 60604
(312) 353-5300

FOR IMMEDIATE RELEASE
TUESDAY JANUARY 6, 2009
www.usdoj.gov/usao/iln

PRESS CONTACTS:
AUSA Patrick Johnson (312) 353-5327
AUSA/PIO Randall Samborn (312) 353-5318

LEO BURNETT TO PAY UNITED STATES $15.5 MILLION TO SETTLE OVERBILLING ALLEGATIONS ON ARMY ADVERTISING CONTRACT

CHICAGO – Leo Burnett Company, Inc. has agreed to pay the United States $15.5 million to settle a federal "whistleblower" lawsuit alleging that the company submitted false claims to the U.S. Army for work performed on the Army's advertising campaign, the Justice Department and Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, announced today.

Chicago-based Leo Burnett will make a cash payment of $12.1 million and credit the Army $3.4 million in work performed but not billed, according to the settlement announced today. At the same time, the Government announced that it was joining in the private whistleblowers' amended lawsuit that was filed yesterday and unsealed today in U.S. District Court in Chicago.

According to the settlement, Leo Burnett held a contract with the Army from 2000 through 2005 to provide advertising services on the Army's recruiting campaign "Army of One." The contract authorized Leo Burnett to bill for its own labor costs, as well as for services provided by independent contractors. For example, if Leo Burnett created and aired a television commercial to boost Army enlistment, it could bill the Army for Leo Burnett's own labor costs in producing the commercial, as well as its out-of-pocket costs paid to the television stations that aired the commercial.

The settlement resolves allegations that Leo Burnett improperly submitted invoices from its internet division and an affiliated company as third party independent contractors to increase its profit margin, and that they failed to include lower cost smaller subcontractors in proposing, negotiating and billings its hourly rates in 2000 and 2001. Leo Burnett's hourly labor rates contained in the contract were supposed to be a weighted average from employees of both Leo Burnett and its minority subcontractors. The Government claimed that Leo Burnett inflated these hourly rates by excluding the lower minority subcontractor rates from its calculation. The Government also claimed that Leo Burnett falsely portrayed that internet website development and advertising work was done by a third-party, independent contractor when, in fact, it was done by Leo Burnett's own internet advertising unit. By passing off its own labor costs as out-of-pocket expenses paid to purportedly independent contractors, Leo Burnett was able charge significantly higher rates than it would have received under the internet labor rates set forth in the contract.

"The Justice Department is committed to vigorously pursuing all those who knowingly submit false claims with respect to military contracts," said Gregory G. Katsas, Assistant Attorney General for the Civil Division of the Justice Department.

The settlement resolves a lawsuit filed in 2004 under the False Claims Act on behalf of the United States by two former Leo Burnett employees. Greg Hamilton, former vice president of Leo Burnett, and Michelle Casey, former Leo Burnett comptroller, will receive $2.79 million as their share of the recovery in the case. Under the False Claims Act, lawsuits are filed under seal to allow the government an opportunity to investigate the allegations and decide whether to take an active role in the litigation. The law allows the original plaintiffs to be awarded between 15 and 30 percent of any damages ultimately obtained by the government. The case is *United States, ex rel. Greg Hamilton and Michelle Casey v. Leo Burnett, USA, Inc.*, No. 04 C 3897 (N.D. Ill.).

The settlement agreement states that Leo Burnett does not admit any liability, and it settled to avoid the expense, delay and uncertainty of litigation. The company also agreed to pay an undisclosed amount in attorney fees to the plaintiffs' attorneys, Michael I. Behn and Steven H. Cohen, both of Chicago.

The Government was represented by Assistant U.S. Attorney Patrick Johnson and Justice Department trial attorney Art Coulter. The case was investigated by the Defense Criminal Investigative Service of the Inspector General for the Department of Defense, the U.S. Department of the Army Criminal Investigation Command - Major Procurement Fraud Unit, the Defense Contract Audit Agency, and the Federal Bureau of Investigation.

In late 2006, this case became part of a National Procurement Fraud Initiative. In October 2006, the Deputy Attorney General announced the formation of a National Procurement Fraud Task Force designed to promote the early detection, identification, prevention and prosecution of procurement fraud associated with the increase in government contracting activity for national security and other government programs. The Procurement Fraud Task Force is chaired by the Assistant Attorney General for the Criminal Division and includes the Civil Division, the U.S. Attorneys' Offices, the FBI, the U.S. Inspectors General community and a number of other federal law enforcement agencies. This case, as well as others brought by members of the task force, demonstrate the Justice Department's commitment to helping ensure the integrity of the government procurement process.

# # # #